

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201443023**  
Release Date: 10/24/2014  
Date: **July 29, 2014**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

X= Name

Y= Name

b dollars = Amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program for college bound high school students. You are committed to encouraging math and science high school students to study computer science at the college level and to become professional web developers.

You will award one scholarship per year for b dollars which was determined by your current income and assets along with your other programs. The scholarship is non-renewable (i.e., it can only be awarded for one year to any scholarship recipient).

You reserve the right to increase the number and the dollar amount of the scholarships awarded each year should the assets and income support these adjustments. The final determination on whether to increase the number of scholarships and the amount awarded in a single year shall rest with your board of directors. Adjustments in the dollar amount of the scholarship will be made before applications are accepted for consideration for the next scholarship award year. The scholarship amount awarded will not be increased until the recipient has been selected.

Your program will be publicized nationwide through your webpage, press releases, blog posts and social media platforms such as Facebook, Twitter and Google+. In addition, you will reach out directly to high school guidance counselors via X and through the Y organization.

Any high school senior in the United States who intends to study computer science at an accredited college or university described in 170(b)(1)(A)(ii) within the United States and meets the scholarship criteria may apply for the scholarship. The criteria include:

- Cumulative high school G.P.A. of 3.3 or better;
- An intent to study computer science;
- Acceptance at an accredited college or university within the United States.

Applicants must provide:

- Official high school transcript;
- Resume describing any extracurricular activities and employment experience;
- Two letters of recommendation, one of which should be from a math or science teacher familiar with the student;
- Completed application form;
- Copy of official college/university acceptance letter;
- One-page essay describing how the student hopes to participate in the professional software development industry;
- Description of Y organization involvement, if any.

A grant committee consisting of your board of directors will judge and select the recipient; vacancies on the committee will be filled by your board of directors. Each committee member will use a scholarship judging form to assign a score to each application and the scores will be averaged for that scholarship application. The criteria used to award points are:

- Active in school related organizations;
- Elected leadership position in school or community related clubs or organizations;
- Demonstrates community involvement;
- SAT and/or ACT Score;
- Grade Point Average;
- GPA requirements;
- References;

- Essay;
- Participation in Y (Students who have participated in Y will be given extra consideration and assigned extra points in the evaluation process even though this is not a requirement for scholarship consideration).

The top scoring application will be awarded the scholarship. Should multiple applications have the same top score, the committee will deliberate among those applications to determine the scholarship recipient for that year.

The scholarship award will be made in two equal payments directly to the student's college or university at the beginning of each semester. The scholarship recipient must maintain a minimum 3.3 GPA during the first semester to receive the second payment. The scholarship recipient's school must provide proof of the student's GPA after the first semester, proof that the student is in good standing and is enrolled for the upcoming semester, as well as receipts for each check received from you on the student's behalf. High school and college transcripts will provide proof of the necessary GPA. Payments to the college directly along with receipts signed by the college will prevent misappropriation or improper use of funds.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

**Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You may report any significant changes to your program by completing Form 8940 and sending it to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations